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Approved For Release 2002/05/16 : CIA-RDP80R01362A000200060001-1

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7 July 1977

MEMORANDUM FOR: DDI Production Board

FROM :

[REDACTED]
Acting Director, Center for Policy Support

SUBJECT : Interdisciplinary Study of Soviet Defense Industries

1. The purpose of the study is to assimilate the scattered pieces of intelligence on the operating characteristics of the Soviet defense industries; organize the information in the form of an industry study following the attached outline, and to use the evidence to broaden our perception of the Soviet defense burden and our understanding of the acquisition and use of technology in the USSR. The industries to be covered are the 6-8 which the Soviets usually refer to as their defense industries:

Aviation	General Machine building	Radio
Shipbuilding	Medium Machine building	Electronics
Defense	Machine building	

2. We propose that the first phase of this study be a two month long exploratory study or "mapping exercise." The purpose of this exercise will be (a) to catalogue our sources of information and initiate debriefings or reinterrogations of defectors and emigrés; (b) to develop detailed outlines of the topics to be covered in each project; and, (c) to state the limits of the ensuing research in each of the industries. The reason for the first step is to compile an inventory of available materials with annotations as to their quality while the analysts are working in proximity to each other. The objective of the last two steps is to control the individual projects to assure uniformity in treatment of the subject matter and to insure that the work will have a terminal date.

3. We see two ways of completing the research project. The detailed outlines of discrete research topics developed in the exploratory phase could be inserted into the research programs of the separate production offices with a CPS project officer assigned

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to monitor the individual projects. Alternatively, the analysts could be assembled as an interdisciplinary task force and complete the projects as a unit.

4. Nominees for the two month long exploratory phase are:

<u>Analyst</u>	<u>Coverage</u>	<u>Office</u>
<div></div>	Shipbuilding	OSR
	Defense Machine building	OSI
	Aviation	OSR
	General machine building	OWI/OER
	Radio Electronics	OER
	Medium machine building	OSI
	Emigre relations and other collection	<div></div>
	Consultant	<div></div>

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5. We recommend that the exploratory phase commence on 1 August under the direction of in CPS. The results of that study should be reviewed by the Production Board before embarking upon the final phase of the project.

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Attachment

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SUBJECT: Interdisciplinary Study of Soviet Defense Industries

Distribution:

- 1 - DDI
- 1 - ADDI
- 1 - DDI/ []
- 1 - AD/CPS
- 1 - ea. Office Director (handed out at Production Board Meeting)
- ① - CPS File
- 1 - CPS Chrono

[] Center for Policy Support 7/8/77 []

MEMORANDUM FOR:



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1. Please review
2. If satisfactory, return to me for signature

Fred

Date

FORM 101 USC PREVIOUS
5-75 EDITIONS

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7 July 1977

A Study of the Soviet Defense Industry

- I. Purpose: assimilate the scattered pieces of evidence on the economics of the Soviet defense industry and use the evidence to broaden our perception of the defense burden as the Soviets might see it and to answer key questions arising from studies of Soviet defense spending, ruble-dollar ratios, relative US-USSR efficiency, relative civil-military efficiency and technology use and transfer.
- II. Definitions and Limits: the industry will be defined as the Soviets define it and this will include production of civilian goods as well as common-use and uniquely defense hardware. The general guidelines for the descriptive part of the study will be those of a so-called "industry study."
- III. Descriptive Information: mainly a presentation of what is known about this industry and an appraisal of the quality of the evidence. Emphasis is on uncovering Soviet practices, and careful appraisals of the evidence and any imaginative inferences made.
 - A. Dimensions of the industry.
 1. Number and size of plants.
 2. Geographic dispersion.

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3. Capital and labor.
- B. Organization and management.
 1. Relations between the military-industrial commission and the Ministry.
 2. Ministry-plant/association relations.
 3. Internal plant management.
 4. The contribution of biographic information.
 5. The acquisition and management of new technology.
 - a. the R&D system.
 - b. acquisition of foreign technology by open and covert means.
- C. The product mix.
 1. Military goods.
 2. Civilian goods.
- D. Defense production and the Soviet planning process.
- E. Relations with
 1. Suppliers.
 2. Consumers.
 3. R&D process.
- F. Price formation principles.
 1. Enterprise and industry wholesale pricing, costs

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of production and markup and determination of the final transfer of price.

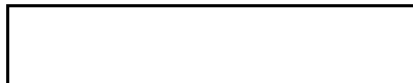
2. Price discrimination practices.
3. Direct and indirect subsidies.

G. Relative Soviet-US efficiency in defense production.

1. Institutional differences: the impact of consumer-producer relations, supplier-producer relations, joint costs, price formation principles and subsidies.
2. Empirical measures.
3. Relative efficiency per unit of output in use of
 - a. labor.
 - b. materials.
 - c. capital and technology.
 - d. RDT&E.
 - e. management and overhead.
 - f. the carrying of surplus capacity and its actual or hypothetical use in producing non-military products.

H. The relative efficiency of civilian and defense production in the USSR.

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1. Institutional differences: the impact of consumer-producer relations, supplier-producer relations, joint costs, price formation, principles and subsidies.
2. Empirical measures.
3. Within this industry, the relative efficiency of producing military and civilian products.
 - a. labor.
 - b. materials.
 - c. capital and technology.
 - d. RDT&E.
 - e. management and overhead.
 - f. the carrying of surplus capacity and its actual or hypothetical use in producing non-military products.

I. Other facets and findings not described above.

IV. Conclusions of the Study

- A. Impact on estimates of Soviet defense spending.
- B. Studies of ruble-dollar ratios.
- C. Possible production trade-offs.
- D. Technology transfer.
- E. Correlation of growth in the industry with political and economic developments.

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TRANSMITTAL SLIP		DATE	
		7 Jul 77	
TO: CPS STUDY OF SOVIET DEFENSE			
ROOM NO.		BUILDING	
		INDUSTRIES FILE	
REMARKS:			
FROM:			
		CPS	
ROOM NO.		BUILDING	
		EXTENSION	
FORM NO. 241 1 FEB 55			
REPLACES FORM 36-8 WHICH MAY BE USED.			
(47)			